

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

HILLSDALE HOUSING COMMISSION

Financial Statements

June 30, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

P. O. Box 378
Hemlock, Michigan 48626
Tel / Fax (989) 642-2092

Board of Commissioners
Hillsdale Commission
45 N. West Street
Hillsdale, Michigan 48242

Independent Auditor's Report

I have audited the Business Type Activities of the Hillsdale Housing Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hillsdale Housing Commission as of June 30, 2006, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Combining Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

February 22, 2007

This discussion and analysis of the Hillsdale Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

Entity-Wide Statements

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

Fund Statements

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Entity-Wide Financial Highlights

The Commission received the following Federal Assistance:

	<u>Year 2006</u>	<u>Year 2005</u>
Operating Subsidies	\$ 82,361	\$ 76,207
Capital Projects Funds	64,542	67,662

The Commission's cash position increased during the year, our investments increased; our fixed assets after depreciation remained unchanged, and Net Assets decreased. The following represents the aforementioned positions:

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Difference</u>
Cash	\$ 32,599	\$ 15,791	\$ 16,808
Investments	25,000	10,000	15,000
Fixed Assets, Before Depreciation	2,889,442	2,889,379	63
Net Assets	1,158,438	1,240,408	(81,970)

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Difference</u>
Revenues:			
Tenant Revenues	\$ 149,081	\$ 147,716	\$ 1,365
HUD Grants	146,903	143,869	3,034

Expenses:

Administrative	86,858	85,180	(1,678)
Utilities	80,194	72,072	8,122
Maintenance & Operations	73,487	96,132	(22,645)
General Expenses	32,926	39,155	(6,229)
Depreciation Expenses	113,346	115,590	2,244

Significant changes in the above are as follows:

Our cash position including investments increased by the net income before depreciation (\$ 31,376.) The Commission's fixed asset's decreased as a result of depreciation charged in the amount of \$ 113,346. Our Net assets also decreased by the net loss, \$ 81,970.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

Utilities rates, particularly gas charges have increased dramatically in the past year, as reflected by the increase in cost relative to a minor increase in usage. Maintenance and Operations decreased as a result of replacing a long term maintenance person; the replacement started at an entry level rate which is lower than exiting staff member.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2006</u>	<u>Year 2005</u>
Low Rent Public Housing	60	60

The Commission's housing stock did not change during the fiscal year.

General Fund Budgetary Highlights

The Commission approved an operating budget on April 10, 2005 for the fiscal year ending June 30, 2006; we amended the budget on June 21, 2006 to more closely reflect the actual results.

There were no significant differences between the final budget and actual results; the final budget called for a net profit before depreciation of \$ 24,421, the actual results from operations resulted in a net profit of \$ 31,376 before depreciation.

Entity Wide Capital Assets

At the close of the fiscal year, the Commission had \$ 2,889,442 in capital assets with accumulated depreciation of \$ 1,762,526. The major classes of assets are as follows:

Land	\$ 141,750
Building	2,377,034
Furniture and Equipment	138,426
Leasehold Improvements	<u>232,232</u>
	\$ 2,889,442
Accumulated Depreciation	<u>(1,726,526)</u>
	\$ <u>1,126,916</u>

The Commission has put the 2005 and 2006 Capital Fund Program grant into operations; we intend on using the 2007 for operations as well.

Commission's Position

The Commission is concerned with the increase in Federal unfunded mandates such as project based accounting, asset management, and uncertainty in future funding with the new subsidy calculations and cuts in other federal programs. We hope current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments to the above may be addressed to:

Alton D. Cousino III, Executive Director,
Hillsdale Housing Commission
45 N. West Street
Hillsdale, Michigan 49242

HILLSDALE HOUSING COMMISSION
Statement of Net Assets
June 30, 2006

ASSETS

C-3095

CURRENT ASSETS

Cash	\$	32,599	
Accrued Interest Receivable		278	
Investments		25,000	
Prepaid Expenses		<u>8,999</u>	
Total Current Assets	\$		66,876

NON CURRENT ASSETS

Land	\$	141,750	
Buildings		2,377,034	
Furniture, Equipment- Dwellings		37,167	
Furniture, Equipment- Administrative		101,259	
Leasehold Improvements		232,232	
Accumulated Depreciation		<u>(1,762,526)</u>	
Total Non Current Assets			<u>1,126,916</u>

TOTAL ASSETS \$ 1,193,792

HILLSDALE HOUSING COMMISSION
Statements of Net Assets
June 30, 2006

LIABILITIES

C-3095

CURRENT LIABILITIES

Accounts Payable	\$ 3,627
Accrued Wages & Payroll Taxes	3,561
Accrued Compensated Absences	1,868
Accounts Payable-Other Governments	6,028
Tenants Security Deposit	11,625
Deferred Revenue	108
Accrued Liabilities-Other	<u>1,998</u>

Total Current Liabilities \$ 28,815

NONCURRENT LIABILITIES

Accrued Compensated Absences 6,539

Total Liabilities \$ 35,354

NET ASSETS

Investment in Fixed Assets, net of related Debt	\$ 1,126,916
Unrestricted Net Assets	<u>31,522</u>

Total Net Assets \$ 1,158,438

TOTAL LIABILITIES AND NET ASSETS \$ 1,193,792

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION
Statement of Revenue, Expenses, and Changes in Net Assets
For the year ended June 30, 2006

OPERATING REVENUE

Tenant Rental Revenue	\$ 145,405	
Tenant Revenue-Other	3,676	
HUD Grants	146,903	
Interest Income	1,559	
Other Income	<u>5,743</u>	
<u>Total Operating Revenue</u>		\$ 303,286

OPERATING EXPENSES

Administrative	\$ 86,858	
Tenant Services	847	
Utility Expenses	80,194	
Ordinary Maintenance	73,487	
General Expenses	<u>20,743</u>	
<u>Total Operating Expenses</u>		<u>262,129</u>
<u>Operating Income (Loss)</u>		\$ 41,157

NONOPERATING REVENUE (EXPENSES)

Gain (Loss) on Sale of Assets	\$ (208)	
Extra Ordinary Maintenance	(9,573)	
Depreciation Expenses	<u>(113,346)</u>	<u>(123,127)</u>
<u>Income (Loss) before Contributions</u>		\$ (81,970)

CAPITAL CONTRIBUTIONS

		<u>0</u>
<u>Changes in Net Assets</u>		\$ (81,970)
Total Net Assets- Beginning		<u>1,240,408</u>
Total Net Assets- Ending		\$ <u>1,158,438</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended June 30, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 149,183
Payments to Suppliers	(197,822)
Payments to Employees	(77,397)
HUD Grants	146,903
Other Receipts (Payments)	<u>7,094</u>
Net Cash Provided (Used) by Operating Activities	\$ 27,961

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(150)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 27,811
Balance- Beginning of Year	<u>4,788</u>
Balance- End of Year	\$ <u>32,599</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (81,970)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	113,346
Changes in Assets (Increase) Decrease:	
Restrictive Assets	11,003
Receivables (Gross)	987
Investments	(15,000)
Prepaid Expenses	859
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(8,400)
Accrued Wages & Payroll Taxes	(27)
Accounts Payable- Other Governments	6,028
Security Deposits	(446)
Deferred Revenue	(417)
Accrued Liabilities-Other	<u>1,998</u>
Net Cash Provided by Operating Activities	\$ <u>27,961</u>

The Accompanying Notes are an Integral part of the Financial Statements

HILLSDALE HOUSING COMMISSION
Notes to Financial Statements
June 30, 2006

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Hillsdale Housing Commission, Hillsdale, Michigan, (Commission) was created by ordinance of the city of Hillsdale. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 103-001	Low rent program	60 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exist.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ <u>32,599</u>
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Investments:

Certificates of Deposit	\$ <u>25,000</u>
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Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

Notes to the Financial Statements- continued

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ <u>32,599</u>	\$ _____	\$ _____	\$ <u>32,599</u>	\$ <u>32,599</u>
Investments:					
C/D's	\$ <u>25,000</u>	\$ _____	\$ _____	\$ <u>25,000</u>	\$ <u>25,000</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 141,750	\$	\$	\$ 141,750
Buildings	2,377,034			2,377,034
Furniture & Equipment-Dwellings	37,167			37,167
Furniture & Equipment-Admin	101,428	150	319	101,259
Leasehold Improvements	<u>232,232</u>	<u> </u>	<u> </u>	<u>232,232</u>
	\$ 2,889,611	\$ 150	\$ 319	\$ 2,889,442
Less Accumulated Depreciation	<u>1,649,499</u>	<u>113,346</u>	<u>319</u>	<u>1,762,526</u>
	\$ <u>1,240,112</u>	\$ <u>(113,196)</u>	\$ <u>0</u>	\$ <u>1,126,916</u>

Notes to Financial Statements- continued

Note 4: Retirement.

The Hillsdale Housing Commission contributes to the Municipal Employees Retirement System (MERS), a multi-employer defined benefit pension plan administered by the State of Michigan, through the City of Hillsdale. Details concerning the plan are available in the annual report of MERS. This plan covers all regular, full-time employees of the Housing Commission.

The following information for the Commission was extracted from the City of Hillsdale's annual employer report:

Unfunded Accrued Liability 12/31/05	\$ 27,795
Employer Normal Cost	7,920
Expected Employer Contribution	(10,561)
Interest	3,272
Unfunded Accrued Liability 7/1/07	28,426
Projected Fiscal Year Payroll	87,944

Additional statistical information may be obtained from the City's annual report.

Note 5: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 4,439,000
General Liability	1,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Hillsdale Housing Commission

30-Jun-06

MI-103

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	21,435		21,435
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	11,164	-	11,164
100	Total cash	32,599	-	32,599
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project		-	-
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneou	-	-	-
126	Accounts receivable- tenants - dwelling reni	-		-
126.1	Allowance for doubtful accounts - dwelling reni	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable	278		278
120	Total receivables, net of allowances for doubtful account	278	-	278
	Current investments:			-
131	Investments - unrestricted	25,000		25,000
132	Investments - restrictec			-
142	Prepaid expenses and other asset	8,999	-	8,999
143	Inventories	-	-	-
143.1	Allowance for obsolete inventorie	-	-	-
144	Interprogram - due from	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	66,876	-	66,876
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	141,750	-	141,750
162	Buildings	2,377,034	-	2,377,034
163	Furniture, equipment & machinery - dwelling	37,167	-	37,167
164	Furniture, equipment & macinery - admininstratio	101,259	-	101,259
165	Leasehold improvement:	232,232	-	232,232
166	Accumulated depreciator	(1,762,526)	-	(1,762,526)
160	Total fixed assets, net of accumulated depreciatio	1,126,916	-	1,126,916
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debit:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	1,126,916	-	1,126,916
190	TOTAL ASSETS	1,193,792	-	1,193,792

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	3,627	-	3,627
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	3,561	-	3,561
322	Accrued compensated absence	1,868	-	1,868
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	6,028	-	6,028
341	Tenant security deposits	11,625	-	11,625
342	Deferred revenues	108	-	108
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	1,998		1,998
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	-	-
310	TOTAL CURRENT LIABILITIES	28,815	-	28,815
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences- Non Current	6,539		6,539
350	TOTAL NONCURRENT LIABILITIES	6,539	-	6,539
300	TOTAL LIABILITIES	35,354	-	35,354
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantees	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	1,126,916	-	1,126,916
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	31,522		31,522
513	TOTAL EQUITY	1,158,438	-	1,158,438
600	TOTAL LIABILITIES AND EQUITY	1,193,792	-	1,193,792

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Hillsdale Housing Commission

30-Jun-06

MI-103

Combining Income Statement		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	145,405		145,405
704	Tenant revenue - other	3,676	-	3,676
705	Total tenant revenue	149,081	-	149,081
706	HUD PHA grants	82,361	64,542	146,903
708	Other government grants			-
711	Investment income - unrestricted	1,559	-	1,559
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	5,743		5,743
716	Gain or loss on the sale of fixed asset	(208)		(208)
720	Investment income - restricted			-
700	TOTAL REVENUE	238,536	64,542	303,078
	EXPENSES:			
	Administrative			
911	Administrative Salaries	41,161	-	41,161
912	Auditing Fees	2,755		2,755
913	Outside management fee			-
914	Compensated absence	(591)		(591)
915	Employee benefit contributions-administrative	14,367	-	14,367
916	Other operating administrative	29,166	-	29,166
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant service	-	-	-
924	Tenant services - other	847	-	847
	Utilities			
931	Water	18,036	-	18,036
932	Electricity	41,285	-	41,285
933	Gas	20,873	-	20,873
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	36,236	-	36,236
942	Ordinary maintenance and operations - materials & other	7,935	-	7,935
943	Ordinary maintenance and operations - contract cost	11,235	-	11,235
945	Employee benefit contributions- ordinary maintenance	18,081	-	18,081
	Protective services			
951	Protective services - labor			-

952	Protective services- other contract cost	390		390
953	Protective services - othe	14,325		14,325
955	Employee benefit contributions- protective service	6,028		6,028
	General expenses			
961	Insurance premiums	-	-	-
962	Other General Expense		-	-
963	Payments in lieu of taxes	-		-
964	Bad debt - tenant rent	-	-	-
965	Bad debt- mortgages			-
966	Bad debt - other			-
967	Interest expense		-	-
968	Severance expense	-		-
969	TOTAL OPERATING EXPENSES	262,129	-	262,129
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(23,593)	64,542	40,949
971	Extraordinary maintenance	9,573		9,573
972	Casualty losses - non-capitalize	-		-
973	Housing assistance payment			-
974	Depreciation expense	113,346	-	113,346
975	Fraud losses			-
976	Capital outlays- governmental fund	-		-
977	Debt principal payment- governmental fund			-
978	Dwelling units rent expense			-
900	TOTAL EXPENSES	385,048	-	385,048
	OTHER FINANCING SOURCES (USES)			
1001	Operating transfers in (out)	64,542	(64,542)	-
1002	Operating transfers out			
1003	Operating transfers from/to primary government			
1004	Operating transfers from/to component unit			
1005	Proceeds from notes, loans and bonds			
1006	Proceeds from property sales			
1010	TOTAL OTHER FINANCING SOURCES (USES)	64,542	(64,542)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(81,970)	-	(81,970)
		-	-	-
		-	-	-
		-		-
				-
				-
				-
				-
		-		-
			-	
			-	
		-	-	-
		-	-	-

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HILLSDALE HOUSING COMMISSION
Status of Prior Audit Findings
June 30, 2006

The prior audit of the Hillsdale Housing Commission for the period ended June 30, 2005, contained one audit finding; the corrective action taken by the Commission is as follows:

- 1) Budget Overruns- The Commission was not obligated to submit the annual budget to HUD; therefore, the basis for the finding is without merit. Budget overruns are allowed without consequences under both State and Federal law; only when budgets are required by HUD, and controlled accounts are being monitored by HUD do overruns become an issue. Although the Commission accepted the finding and took the necessary steps to eliminate budget overruns in the current year, the finding was technically unwarranted.

HILLSDALE HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
June 30, 2006

I have audited the financial statements of Hillsdale Housing Commission, Hillsdale, Michigan, as of and for the year ended June 30, 2006, and have issued my report thereon dated February 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hillsdale Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hillsdale Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

February 22, 2007

HILLSDALE HOUSING COMMISSION
Schedule of Findings and Questioned Cost
June 30, 2006

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Projects Fund		X

Opinions:

General Purpose Financial Statements-

Unqualified

Report on compliance for non major programs-

Unqualified

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

2) Findings relating to the financial statements reported in accordance with Government Auditing Standards:

None

3) Findings and Questioned Costs relating to Federal Awards:

None